



## Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

marks of wages contractually due to a workman, he must submit to a deduction of 2.16 marks. The whole insurance system costs about five per cent of the wages; and who can doubt it is richly worth the cost?

F. W. T.

## THE FINANCIAL RESULTS OF THE INCREMENT-TAX IN GERMAN CITIES

Two years ago an account was published in these columns of a new departure in municipal taxation — the taxation of the increase in the value of urban land by the cities of Germany.<sup>1</sup> Since the publication of that article official returns have been made showing the yield of the new tax in a number of the cities in which it has been adopted.<sup>2</sup>

In July of the present year the increment-tax was in force in fifteen of the forty-one German cities with a population of more than 100,000, and in at least forty-one smaller places.<sup>3</sup> In the metropolis, Berlin, the *Magistrat* recommended the introduction of the tax over two years ago, but the influence of the House-and-Landowners' Association in the Municipal Council was sufficient to bring about the defeat of the proposal. The tax has, however, been introduced in several of the metropolitan suburbs. The following figures for six cities with a population of more than 100,000 are taken from a return for the thirty-two cities in which the tax went into force prior to the year 1908: —

Name of city (population in thousands)	Tax took effect	Yield (in thousands of marks)		Total Income <sup>4</sup> from all taxation (in thousands of marks)
		1906	1907	
Breslau (471)	June, 1907.	—	57	14,276
Cologne (429)	July, 1905.	287	385	12,133
Dortmund (175)	Sept. 1906.	109	159	4,934
Essen (231)	June, 1906.	90	172	5,963
Frankfurt (335)	Feb. 1904. <sup>5</sup>	1,104	487	13,837
Kiel (164)	Aug. 1907.	—	76	3,636

<sup>1</sup> Vol. xxii, 83-108, (Nov., 1907). "The Taxation of the Unearned Increment in Germany," by Robert Brunhuber.

<sup>2</sup> Mitteilungen der Zentralstelle des Deutschen Städtetages, Nr. 20 (1909) 553-576.

<sup>3</sup> Cf. *ibid.* Bd. ii, Sp. 70.

<sup>4</sup> Neefe's Statistisches Jahrbuch Deutscher Städte, Jahrgang xiv, (1907).

<sup>5</sup> The yield for 1904 was 68 and for 1905, 833 thousand marks.

The following figures<sup>1</sup> indicate the estimated and realized yield of the tax in seven suburbs of Berlin for the year 1908. In the four largest suburbs, Charlottenburg, Rixdorf, Schöneberg, and Deutsch-Wilmersdorf, the introduction of tax has been delayed by the same forces as in Berlin. These four are also the suburbs in which the unearned increment has been greatest.

Name of suburb (population in thousands)	Yield (in thousand of marks)	
	Estimated	Realized
Grosslichterfelde (34)	50	29
Pankow (29)	150	147
Reinickendorf (22)	89	124
Tegel (12)	36	12
Tempelhof (10)	40	11
Weissensee (37)	150	188
Zehlendorf (12)	80	169
Total	595	680

The tax is of such recent origin that it is difficult to draw any general conclusions from the available financial results. In Cologne and Frankfurt alone, among the six large cities for which the results are shown, does the period of operation extend over two complete financial years. In each of these the receipts from the increment-tax during the two years averaged slightly over five per cent. of the total receipts from taxation. The fluctuations in the amount of the yield, however, are so wide and so uncertain that in neither city do the financial authorities dare to credit the tax in the municipal budget with more than a fraction of its average annual yield. For 1908 the estimated yield of the tax in Cologne was one hundred and eighty thousand marks, and in Frankfurt it was three hundred and twenty thousand. The probability is strong that these estimates will be largely exceeded. Hence the question arises, what is the best disposition to be made of the excess. With a view to escape from the temptation to squander such easily gotten gains, the better opinion seems to be that the excess, when realized, should regularly be devoted to reduction of debt.

<sup>1</sup> *Soziale Praxis*, Sept. 16, 1909. Sp. 1338.

The more recent increment-tax ordinances follow closely in the path marked out by the earlier ordinances. The tendency is almost universal to tax increases in the value of vacant land more highly than those of the land which is built upon. In all cases large increases are more highly taxed than small increases. The problem of making a fair allowance for differences in the period of time during which the unearned value has accrued has given some trouble. In some cases this problem is solved roughly by granting abatements from the normal rates, which increase in amount with the length of the period elapsed since the last preceding transfer of the property. In other cases approximate justice, at least so far as the first assessment of the tax on each parcel of property is concerned, is attained by limiting the period prior to the passage of the ordinance during which the increase of unearned value is to be taken into consideration, and prescribing an arbitrary initial value upon which the increment may be reckoned. In most of these cases the assessed valuation at the time from which the increment is computed is taken as the basis of computation.

Another problem which has confronted the framers of increment-tax ordinances has been that of the prevention of evasion. Besides most of the ordinary devices for evasion, which are familiar to administrators of income and inheritance taxes, a novel device has appeared, peculiar to the increment-tax. This consists in the transfer of individual holdings to an association of some sort, consisting of the individuals concerned. Since individuals may come and go, but the association is endowed with immortality, the property, so long as it remains in the association, escapes the increment-tax. To meet this contingency, as well as to get at the permanent holdings of business-corporations, the higher administrative authorities in Prussia have recently recommended the municipal authorities to assess the tax on associations and corporations at each change in the membership of the association or incorporated body, the tax to be collected on a share of the total increment corresponding to the share in the property or business held

by the out-going member. At the same time it was directed that the tax be not levied upon inheritances and bequests, nor upon properties expropriated by public authority.<sup>1</sup> The maximum rate that might be levied upon the increment was limited to 25 per cent., and the period prior to the introduction of the tax during which the increment should be taxable to ten years.

Five years have now passed since the first introduction of the increment-tax into the German cities. The rapidity of its adoption into the system of municipal finance is a sufficient indication of the popularity of the innovation. Despite lively opposition on the part of the owners of real estate (a section of the public which exercises an undue influence upon the government of many German cities) the principle of the increment-tax has quickly gained general acceptance, and the higher administrative authorities of all the more important states of the Empire have given earnest attention to the improvement of the details of the tax. Recently the Imperial Government has incorporated the increment tax in its scheme of financial reform. By one of the finance acts, passed on July 15, it is provided that the Empire shall receive twenty million marks from such a tax by 1912. Cities in which the increment tax was in operation before April 1, 1909, will be compensated for five years after the imperial act goes into effect by an amount equal to the average annual yield of the municipal tax prior to April 1, 1909. Compensatory payments will be made, however, only from surpluses to be realized over and above the twenty millions collected for the imperial treasury. Another attestation of the contemporary opinion of European financiers concerning the success of the increment-tax, is its incorporation by the British Chancellor of the Exchequer, Mr. Lloyd-George, in his budget for 1909.

A. N. HOLCOMBE.

HARVARD UNIVERSITY.

<sup>1</sup> Preussische Ministerialverfügung vom 18 Mai, 1909 (Min. — Bl. f. d. inn. Verw. 1909, Nr. 6, S. 148).